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OCCUPATIONAL SELF-REGULATION: A CASE STUDY OF THE OKLAHOMA DRY CLEANERS*

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I. THE QUESTION TO BE EXAMINED

ALTHOUGH self-regulation of occupational or professional groups is well established in the United States, the nature of such activities and their influence on the development of the affected industries has been little examined. Self-regulation is usually administered by a board vested with the power to determine the necessary qualifications of new entrants in the occupation and to govern occupational practices through licensing procedures. Often these boards are also vested with the authority to set minimum prices. Such boards exist in professions ranging from medicine, accounting and law to watch-making, the shoeing of horses and manicuring. The Council of State Governments reported that in 1952 there were more than seventy-five different occupations in the United States for which a license to practice was required and that there were more than 1,200 occupational licensing laws within the states—an average of twenty-five per state.¹

The dry cleaning industry is often subject to self-regulation. In several states a license issued by a state board is a prerequisite for the operation of a dry cleaning establishment. And in one state, Oklahoma, the board also has the authority to approve minimum prices. The purpose of this article is to examine the policy of self-regulation in the Oklahoma dry cleaning industry and to determine its influences on the development of the industry.

II. THE OKLAHOMA LEGISLATION

The first bill to provide for regulation of the Oklahoma dry cleaning industry was introduced in 1939. The aim was to protect the public from frauds, to reduce fire hazards, to prevent unfair competition, and to make

* The author would like to thank Professor L. Warner of Oklahoma State University for his many helpful suggestions.

¹ The Council of State Governments, *Occupations Licensing Legislation in the States 2* (1952).

dry cleaning a respectable profession.² To accomplish these ends, the bill was one empowering a State Dry Cleaning Board to

promulgate rules and regulations to enforce sanitary and health regulations and to reduce fire hazards of clothes cleaning and pressing establishments; empowering and authorizing said Board to promulgate rules and regulations to promote occupational security of operators engaging in said business; and to promulgate rules to prevent unfair trade practices; and to require the issuance of licenses by said Board to persons, firms, corporations or associations, as a prerequisite in engaging in said cleaning and dyeing and/or pressing business; to determine fitness and reliability of applicants to engage in said business; authorizing said Board to approve agreements and make orders fixing minimum prices for all dry cleaning, dyeing and/or pressing services; and providing penalties for the violation of any of the provisions of this Act; and providing for judicial review of the acts of said Board.³

The bill passed the House and was sent to the Senate, where its reception was not enthusiastic. An amendment was adopted which removed the price fixing authority of the Board. The bill finally passed the Senate and was sent to Governor Phillips who killed it by means of the "pocket veto." A new bill was introduced in the House of Representatives in February, 1941. It did not contain a minimum price clause and received considerably more support. It became law without the governor's signature.

The act created a State Board of Dry Cleaners. The members are appointed by the governor. The Board consists of three members, each of whom must have been engaged in the dry cleaning business for at least five years and must at the time of his appointment have been actively engaged in the business.⁴ The Board is an instrument of the state vested with the power: to supervise and regulate the cleaning industry within the framework of existing health, sanitation and labor laws; to investigate and regulate matters pertaining to "the proper supervision and control" of the cleaning industry with the power to subpoena to carry out the purposes of the act; and to act as mediator in controversies between employee and employer.⁵

The act sets forth five main functions of the Board. (1) The Board is to adopt and promulgate rules and regulations necessary to identify to the public all licensed practitioners and prohibit false and misleading statements. (2) Separate licenses for each place of business are to be granted by the Board. (3) As a prerequisite for obtaining a license, the Board is to require all persons to comply with the standards deemed necessary by the Board for the protection of the public. (4) The Board is to enforce and assist in the enforcing of fire, sanitation, labor and other laws applicable to the

² Oklahoma House Journal, H.B. 232, 1st Sess. (1939).

³ *Ibid.*

⁴ Session Laws of Oklahoma, Ch. 17, § 2 (1951).

⁵ *Ibid.*, p. 245.

industry. (5) The Board is to "act with the purposes of this Act, as a competent authority in connection with matters pertinent thereto: provided, however, that nothing herein shall be construed as granting said Board the right or power in any manner to fix prices."⁶

The law provided that no person shall engage in the business of dry cleaning without first obtaining a license from the Board. The license is valid for one year but may be suspended by the Board at any time. A license fee is to be collected by the Board (originally one dollar per thousand on gross business done during the preceding calendar year but no fee was to be less than three dollars or more than forty dollars). One tenth of these funds are to be appropriated to the general revenue fund of the state and the remainder is appropriated to the Board for administrative purposes.⁷

The Board is able "to adopt and enforce all rules and orders necessary to carry out the provisions of . . . [the] Act." If the Board finds anyone in violation of these rules, the procedure for investigation must include reasonable notice to persons involved and an opportunity to be heard at a public hearing. Any member of the Board has the power to conduct the hearing, administer oaths and issue subpoenas. A refusal of a witness to testify can result in contempt proceedings. The Board may revoke or refuse to grant a license if the "licensee has violated any provisions of this Act or . . . any lawful rule or order of . . . [the] Board." The district court has "jurisdiction to reverse, vacate or modify" the action of the Board.⁸

The constitutionality of the act was upheld in *Jack Lincoln Shops, Inc. v. State Dry Cleaners' Board* in 1943.⁹ Plaintiff charged that the act was in violation of section two¹⁰ and seven¹¹ of Article Two of the Oklahoma Constitution and section one of the Fourteenth Amendment to the Constitution of the United States.¹² Plaintiff argued that although the dry cleaning business is subject to "many abuses which may be remedied by appropriate legislation, the law goes too far."¹³ Noting that several decisions had declared

⁶ *Ibid.*, pp. 245-246.

⁷ *Ibid.*, pp. 246-247.

⁸ *Ibid.*, pp. 246-248.

⁹ *Jack Lincoln Shops, Inc. v. State Dry Cleaners' Bd.*, 192 Okla. 251, 136 P.2d 332 (1943).

¹⁰ "All persons have the inherent right to life, liberty, the pursuit of happiness, and the enjoyments of gains of their own industry." Okla. Const. art. II, § 2.

¹¹ "No person shall be deprived of life, liberty or property without due process of law." Okla. Const. art. II, § 7.

¹² "No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property without due process of law; nor deny to any person within its jurisdiction the equal protection of the law." U.S. Const. amend. XIV, § 1.

¹³ *Supra*, note 9.

such laws unconstitutional¹⁴ the plaintiff attempted to prove that the law effectually empowered the Board to fix prices, and that it was arbitrary, discriminatory and without reasonable relation to the public interest.

The court, however, agreed with the defense that the plaintiff's argument was primarily directed at the wisdom of the legislature. Other courts had recognized similar legislation¹⁵ and although dry cleaning businesses are neither *per se* nor *prima facie* a nuisance they are "unquestionably" subject to control by the state in exercise of the police power.¹⁶ In any case, the court continued, the legislature is considered as the best judge of whether a business is affected with a public interest and though the courts may disagree with the "wisdom of the legislature, they may not annul it as being in violation of substantive due process unless it is clearly irrelevant to the policy the Legislature may adopt or is arbitrary, unreasonable or discriminatory."¹⁷

In 1945, the act was amended to read substantially as the first bill of 1939 had read (and this is the act currently in force). All sections were removed that explicitly stated that the act was in no way to grant price fixing powers to the Board. Annual license fees were increased and penalty fees for late payment and inspection were added.

The primary change was the empowering of the Board to approve minimum price agreements.

The Board shall have the authority and power to approve price agreements establishing minimum prices for cleaning, pressing and dyeing services signed and submitted by at least seventy-five percentum (75%) of the duly registered and licensed cleaning and pressing operators in any county of this state, after ascertaining by such investigation, and proofs as the condition permits and requires, that such price agreement is just, and under varying conditions will best protect the public health and safety by affording a sufficient minimum price for cleaning and pressing services to enable the persons engaged in such business to furnish modern and healthful service and safe appliances so as to minimize the danger to the public health and safety incident to such work.¹⁸

The Board is to take into consideration costs when setting prices and is endowed with the authority to fix "the minimum price for all services

¹⁴ Kent Stores v. Welentz, 14 F. Supp. 1 (Dist. Ct. N.J. 1936); Becker v. State, 37 Del. 454, 185 Atl. 92 (1936); State v. Harris, 216 N.C. 746, 6 S.E.2d 854 (1940).

¹⁵ Miami Laundry v. Florida Dry Cleaners & Laundry Bd., 134 Fla. 1, 183 So. 759 (1938); Public Cleaners, Inc. v. Florida Dry Cleaners & Laundry Bd., 32 F. Supp. 31 (S.D. Fla. 1940); Klever Shampy Karpel Kleaners v. City of Chicago, 323 Ill. 368, 154 N.E. 131 (1926); State of North Carolina v. Harris, *supra* note 14; Herrin v. Arnold, 183 Okla. 392, 82 P.2d 977 (1938); Nebbia v. New York, 291 U.S. 502 (1934).

¹⁶ 11 Am. Jr. Constitutional Law § 245 (1937).

¹⁷ Jack Lincoln Shops, Inc. v. State Dry Cleaners' Bd., *supra* note 9.

¹⁸ *Ibid.* at 672.

usually furnished and performed by a cleaning and pressing establishment.”¹⁹

This amendment was supported by the state dry cleaners as was the original act.²⁰ They argued that they were required to undertake additional expenses in order to protect the public, but when prices were low they could not afford these safety measures. In addition to the necessary extra expenses, they submitted that they needed sufficient income to insure themselves against fires because fire insurance for dry cleaners was not available. Also, additional income was needed to prevent misleading advertising.²¹

The constitutionality of the amendment was upheld in *State Dry Cleaners' Board v. Compton*.²² It was argued by Compton that the act was unconstitutional because it was not a valid exercise of police power,²³ that it was an unlawful delegation of legislative power²⁴ and that the legislation violated Article Two, sections 2 and 7 of the Oklahoma Constitution and the Fourteenth Amendment to the Constitution of the United States. Secondly, Compton maintained that even if the act were constitutional the order of the Board was “arbitrary, discriminatory and unreasonable.” He felt that such regulations should be made by disinterested parties and based on “ample evidence showing a substantial relation to the ends to be accomplished thereby.”²⁵

The courts again adopted the view of the defense. The Board maintained first that the law was well-settled in Oklahoma decisions. The dry cleaners' law is very similar to an act pertaining to the Oklahoma barbers for which the price fixing arrangements were held constitutional in *Herrin, et al. v. Arnold, District Judge*.²⁶ Secondly, the Board maintained the price fixing order was

¹⁹ *Ibid.*

²⁰ Interview with the State Board of Dry Cleaners (Oklahoma, July, 1962).

²¹ Interview with Fred Hansen, First Assistant Attorney General of Oklahoma (July, 1962).

²² *State Dry Cleaners' Bd. v. Compton*, 201 Okla. 284, 205 F.2d 288 (1949).

²³ *Nebbia v. New York*, *supra* note 15, establishes that even though a business is subject to regulation, as was the Oklahoma dry cleaning industry in *Jack Lincoln Shops, Inc. v. State Dry Cleaners' Bd.*, *supra* note 9, each regulation imposed on the industry must bear a “substantial” relation to the purposes of the law.

²⁴ The Act allegedly violated Article 4, Section 1 and Article 5, Section 1 of the Oklahoma constitution. All powers delegated must be exercised within the limits and standards set by the legislature. Plaintiff maintained that such words as “just price,” “best protect the public,” and “properly regulate” are not standards.

²⁵ Brief for Defendant in Error, p. 16, *supra* note 22.

²⁶ *Supra* note 15. If the business is “affected with a public interest” price fixing powers are valid under the police power. By the authority of *Munn v. Illinois*, 94 U.S. 113 (1876), and *Nebbia v. New York*, *supra* note 15, such regulation has been upheld for insurance rates, compensation in insurance agents, rates of market agencies for livestock and tobacco warehouse rates. The constitutionality of price fixing powers granted to barbers has been upheld in many states on the basis of *Bd. of Barber Examiners of Louisiana v. Parker*, 190 La. 214, 182 So. 485 (1938). See 13 Tul. L. Rev. 144 (1938).

based on "ample testimony to validate the price fixing order complained of."²⁷ The court in its own words found that:

The price fixing authority of the State Dry Cleaners' Board is constitutional and the record before us does not disclose that the prices fixed are unreasonable, arbitrary or otherwise unjust. In fact, all of the evidence points to the fact that the prices fixed are necessary to stabilize the industry and are reasonable and will promote the public welfare, health and safety.²⁸

In other states such as California, New Mexico, Delaware, Florida and New Jersey the price fixing statutes have been declared void by the courts usually on the ground that the laws were arbitrary. The Oklahoma courts, however, made it clear that changes in policy could come only from the legislature. Oklahoma State Representative Kessler introduced a bill in 1951 that would have removed the licensing power and the price fixing power of the Oklahoma Dry Cleaners' Board. At the same time he introduced a bill that would have repealed the same controls in the barbering industry. Both industry groups applied political pressure. Nearly two hundred barbers filled the state supreme court chambers in opposition to the bill at a public hearing,²⁹ and two days later the House committee voted, eighteen to ten, in favor of postponing consideration of the bill indefinitely.³⁰ The dry cleaners claimed that: for "good" service, price fixing is a "must"; that under present regulations a person doing this work was able to make a "decent living";³¹ and that out of thirty-one major items used by dry cleaners, twenty-one were fixed in price to them (they would not mind if *all* price controls were removed).³² Over four hundred cleaners attended the public hearings on the bill³³ which was later killed when the House voted eighty-three to twenty in favor of tabling a motion to bring the bill out of committee.³⁴ The fact that the committee chairman was against Kessler's bill did not aid his efforts³⁵ but because both bills were introduced at the same time, substantial political opposition was aroused. Kessler was not re-elected.

III. THE ACTIVITIES OF THE OKLAHOMA DRY CLEANERS' BOARD

The Oklahoma Dry Cleaners' Board works closely with the Oklahoma Association of Dry Cleaners. In fact, the Association goes so far as to say that

²⁷ Brief for Plaintiffs in Error, p. 24, *State Dry Cleaners' Bd. v. Compton*, 201 Okla. 284, 205 F.2d 286 (1949).

²⁸ *State Dry Cleaners' Bd. v. Compton*, *supra* note 27.

²⁹ *Daily Oklahoman*, Jan. 20, 1951, p. 20.

³⁰ *Daily Oklahoman*, Feb. 1, 1951, p. 1.

³¹ *Tulsa Tribune*, Feb. 15, 1951, p. 18.

³² Interview with State Dry Cleaners' Board (Oklahoma, July, 1962).

³³ Palmer, *Price Control Upheld in Oklahoma*, *Nat'l Cleaner & Dyer* 144 (1951).

³⁴ *Daily Oklahoman*, Feb. 22, 1951, p. 1.

³⁵ *Ibid.*, p. 3.

"the State Board is a governmental group whose members are appointed by the governor *upon recommendation of the ODA*."³⁶ (Italics added.) Together they have issued a monthly publication, established a credit union, and participated in research in dry cleaning at the Oklahoma State University School of Technical Training. However, the primary activities of the Board are determining, interpreting and enforcing the regulations governing the industry.

The Board's activities are financed through license fees and fines. The annual license fees are one dollar and fifty cents per one thousand dollars in annual sales. The penalty fees are primarily for late payments (five dollars per month) and account for only a small proportion of total receipts. The first license fee is fifteen dollars plus an original inspection fee of thirty-five dollars. The dry cleaners paid an average of thirty-four dollars in 1958 for the maintenance of supervision over the industry. This would not seem to be a significant cost of operation.

To obtain a license, an application is filed with the State Dry Cleaners' Board and a payment of fifty dollars license fee plus the original inspection fee is made. This entry fee amounting to eighty-five dollars would not seem to be sufficiently high to restrict entry. Licenses are renewed once a year and the fee, as explained above, depends on the previous year's sales. The only personal requirement is that the applicant must have an established permanent business locality within the state of Oklahoma. This business locality and building are inspected before the license is approved. Most of the regulations of the Board pertain to the building requirements, standards of performance, and pricing activities, rather than to the personal character of the applicant.³⁷

The building and equipment requirements established by the Board could act as a barrier to entry if they were sufficiently stringent and well enforced.³⁸ The regulations to which a plant is subject depend to some extent upon how it is classed. Plants are classified according to the flammability of the solvents used. Plants using highly flammable solvents such as ether, gasoline and alcohol are in Class I, and those using the less flammable solvents such as kerosene and the paraffin oils are in Class II. The regulations governing Class I plants are the same as those governing Class II plants, plus some additions. Therefore, the latter are discussed first.

If the applicant for a license is building a new plant, he must submit the

³⁶ A pamphlet distributed by the Oklahoma Association of Dry Cleaners. Of course, the necessity of such recommendations is not stated in the Act.

³⁷ Only two questions on the application are directed at the applicant personally: (1) whether or not he has had any previous dry cleaning experience, and (2) whether or not he has ever been refused a license by this Board or any other Dry Cleaners' Board.

³⁸ The regulations discussed are primarily those found in: State Dry Cleaners' Board, State Law and Regulations for Safeguarding Dry Cleaning Plants, 11-31.

plans to the Board for approval. If the plant is classified as Class II and the license is to be approved, no local zoning ordinance can be violated and the plant cannot operate in connection with a place of residence. The building must have a mechanical system of ventilation sufficient for a change of air every three minutes with explosive proof motors in a "nonhazardous" location. Ventilation must work automatically when the machines are in use. Heating must be by steam or water only. Dry cleaning in open vessels (except spotting) is prohibited and machines must be designed to prevent the escape of fumes. All solvent storage tanks must be underground, and above ground treatment tanks must be securely mounted, grounded, and not over three hundred and fifty gallons. The pipe lines of all continuous systems must have quick acting valves so that the pipes can be quickly emptied into the underground tanks. Each washer must have button and lint traps, be secured to the floor and be grounded. The establishment must have at least, hand fire extinguishers and must conform to other fire prevention codes of the state.

If the plant is in Class I it must conform to all of the Class II regulations plus several more. The building must be located at least ten feet from the property line unless it has a solid brick wall, and cannot be over one story in height. The walls must be equivalent to twelve inches of brick in width and floors must be noncombustible. The roof must be flat and fire resistant with metal framed skylights. The drying room and dry cleaning room must be separated by fire resistant walls and the cleaning rooms must have provisions for humidifying or conditioning the air. The building must be equipped with an automatic fire extinguisher system, and an asbestos blanket at least seven feet by seven feet must be provided in each cleaning room.

Most of the Board's regulations concerning building and equipment seem to be those that would ordinarily be required by state building and fire prevention codes. In fact, most of the regulations are taken from the regulations of the National Board of Fire Underwriters which are incorporated in the building codes of this and many other states. Others, such as that all lighting be electric incandescent, or that no zoning laws and state code be violated, or that machines be grounded and secured would be almost certainly observed regardless of the regulations. However, the regulations governing Class I establishments are sufficiently stringent that any new establishments desiring to use those types of solvents would probably have to build a special building in order to meet the specifications. The impression of this writer is that the regulations would probably, in effect, prohibit Class I plants. However, the use of these solvents was terminated everywhere early in the 1940s, so the building regulations of the Board have probably had little effect.

In addition to establishing requirements for obtaining a license, the Board has the authority to adopt rules governing business practices. The Board prohibits deceptive advertising, non-enforceable guarantees, excep-

tions to advertised prices and advertising as "special" services which are actually "regular." Sufficient insurance to cover possible losses to customers must be carried and false statements regarding the amount of this insurance are prohibited. All foreign material must be removed from garments before washing. Only the solvents for which a machine was designed can be used in it and all machines must be emptied at the end of the day. All employees must be instructed as to the hazards of their work, and a gas mask or respirator must be furnished for employees engaged in maintenance work where they "may" be exposed to "excessive" fumes. No flammable liquids can be used to clean the floors and no smoking can be allowed on the premises.

The standards of performance regulations are usually enforced through complaints and yearly inspections. The Board also attempts to regulate the standards of performance by making quality checks. The Board has rejected no applicants and has revoked only one license since it was established.³⁹ This seems to indicate, since the regulations are enforced and the entry fee does not seem to be a barrier, that the regulations themselves are not hard for dry cleaners to meet. Otherwise, more court cases, license revocations and license refusals would have occurred. If this is so, the Board operates almost completely in the capacity of a state fire or building inspector without using its powers to make the performance standards of the industry barriers to entry in the traditional sense.

The second major group of activities centers around the Board's authority to approve minimum price agreements for each county. Such agreements must be submitted by at least seventy-five per cent of the licensed operators in a county whether it provides for an increase in prices or a decrease. The law further states that if the prices agreed upon are found by the Board to be insufficient to provide "healthful and safe" service to the public, the Board has the power to refix the prices.

The application for approval of price agreements must be signed by a representative group of the county and must include an operating statement for each signer. The operating statement includes an estimate of total sales and expenses. The statements are then examined by the Board. It then sends notice of a hearing to all licensed cleaners in the county that have not signed the application. At this hearing the Board hears the reasons for the price agreement. Some cleaners may object, but if seventy-five per cent of the cleaners support the agreement, it would appear the Board will approve it.⁴⁰

³⁹ Interview with the State Dry Cleaners' Board (Oklahoma, July 1962).

⁴⁰ This is not documented, but personal enquiries indicate that the Board has never refused an agreement that has had the necessary support of 75 per cent of the cleaners. Also it appears to be the consistent procedure of the Board to refix prices only after the complaint of a "representative group" (interpreted to be 75%) of cleaners and pressers in a county.

The price agreements, however, are of little importance if they are not enforced. Consequently, enforcing these agreements has become another major function of the Board. Parties dissatisfied with decisions made by the Board can appeal to the District Court. However, in such situations, the Board has never lost a case. If an operator refuses to comply with the Board's decision, he may lose his license and/or be convicted of a misdemeanor with a fine up to \$500 and a jail sentence of up to thirty days. Each day the violation occurs can be deemed a separate offense.

Even though the decisions of the Board seem to be final and enforceable, there would probably be substantial opportunity for price variation because of the great variety of garments cleaned, were it not for the detailed regulations of the Board. The pricing agreements involve the setting of retail prices on over one hundred items ranging from bathrobes, scarfs, and gloves to sheeplined short coats, long leather jackets, sleeveless sweaters, and football uniforms for men, and knitted blocked dresses, white or silk sweaters, velvet skirts and jumpers, and slacks for women. Household items are covered and prices vary depending upon whether an item is for cash and carry, delivery, or dyeing. A certain percentage of the retail price is set on each item for such services as cleaning or pressing only, extra spot removals and a variety of wholesale work. In spite of the detail, ways still exist in which prices may in effect be lowered, for example, the prices for minor repairs are not fixed. But the Board found a cleaner had violated the minimum price law because he offered free storage.⁴¹ Personal enquiries seem to indicate that if the service is "usually furnished and performed by a cleaning and pressing establishment" it is fixed in price by the Board.

IV. THE ECONOMICS OF THE SCHEME

In this section economic theory will be used to obtain certain predictions concerning the influences of the Board's policy on the development of the Oklahoma dry cleaning industry. As was explained above, the explicit purpose of the legislation is to prohibit price competition in order to maintain prices at a "fair" level. It does not seem presumptuous to assume that a "fair" price as judged by a dry cleaner would be higher than the price that would have emerged in the absence of regulation. Unfortunately, accurate price data are unavailable. It must simply be assumed that the dry cleaners set prices at an arbitrary amount above the "competitive" price.⁴²

⁴¹ *That Minimum Price Law*, National Cleaner and Dyer, 121 (Sept. 1951).

⁴² No data on prices in Oklahoma are available prior to 1949 and the data on prices since then are not available for all seventy-seven counties. The price data gathered by the writer are given in Table I. The counties selected are from the low income areas, Coal, Seminole and Woods, and from the high income areas, Garfield, Washington, Oklahoma and Tulsa. The dates are those dates on which a price order was made by the State Board. No data are available for prices in Kansas other than for a few

TABLE I
THE PRICE OF DRY CLEANING SUITS, SELECTED COUNTIES IN OKLAHOMA
AND FOR WICHITA, KANSAS, 1949-1962

Place	Date	Price \$
Coal	May 1950	.90
Seminole	May 1950	.90
Woods	March 1950	.85
Garfield	April 1950	1.00
	November 1958	1.35
	May 1962	1.25
Washington	July 1949	1.10
	March 1955	1.25
Oklahoma	July 1949	.85
	April 1952	1.00
	September 1955	1.10
Tulsa	July 1949	1.00
	July 1955	1.15
Wichita, Kansas	September 1962	.79 to 1.35

Source: Oklahoma State Board of Dry Cleaners; and newspaper advertisements and personal enquiries in Wichita, Kansas.

Entry into the industry is assumed to be free. The previous analysis indicates that neither the Board nor its regulations significantly restrict entry. No data on costs are available. It is, however, assumed that the average cost curve has a downward slope at small plant sizes. Whether the costs are constant after this downward slope or whether they increase makes no difference to the analysis. The fact that there is a lower limit on sizes of existing plants⁴³ indicates that costs are not constant throughout the lowest output ranges.⁴⁴

The arrangement appears then as a cartel with price fixing powers but no control over production or entry. The price regulations are in sufficient detail to be enforceable and the Board seems to have been effective in enforcing them. Moreover, the Board has eliminated such practices as tie-in sale arrangements or any type of arrangement that would, in effect, lower price.⁴⁵ If this is the case, an increase in price would raise profits, thereby attracting new firms, the entry of which would cause sales of a representative plant to firms in Wichita, Kansas, a high income area. The reason for the inclusion of the Kansas prices is explained below.

⁴³ Data for plant sizes are presented later.

⁴⁴ Stigler, *Economics of Scale*, 1 J. Law & Econ. 54 (1958).

⁴⁵ This means that all types of nonprice competition that would have the effect of shifting the average cost upward are prohibited. The customer cannot be offered "more for his money" in terms of better quality, more advertising, better building front, and the like. This is abstracting from many of the facts but it can be regarded as a simplifying assumption in that most of the things that would seem to be the basis of nonprice competition and would "significantly" increase costs are controlled in price by the Board.

fall. Entry would continue until profits had been reduced to make further entry unprofitable. When measured by receipt size, plants must be smaller.⁴⁶ A greater number of plants would exist especially if the market demand were somewhat inelastic.

Many of the towns in Oklahoma are relatively small. Such places would be able to support very few dry cleaning firms if there are decreasing costs in the dry cleaning industry for small plant sizes. Since transportation costs limit the range of alternatives to purchasers of dry cleaning, the industry in these small towns would be characterized by oligopoly.⁴⁷ Recent theories suggest that a primary barrier to profits in industries characterized by oligopoly is their inability to keep firms from cutting prices.⁴⁸ A minimum price law removes this barrier. The analysis is much the same as the analysis of the competitive sector. The only difference is that entry would not occur when "above-competitive" profits are being made unless the market could support another firm. In the competitive case, a fall in demand would reduce the number of firms. A fall in market demand in the oligopoly case may reduce profits rather than the number of firms.

V. A TEST OF THE ANALYSIS: THE ATTRACTION OF RESOURCES

In order to test the implications of the reasoning above, it is necessary to make some assumptions about the development of the industry, had such a policy not been undertaken. For this purpose, the dry cleaning industry of Kansas was used as a norm. Statistics for the United States as a whole are also included to serve as a check on this norm. The choice of Kansas is not arbitrary. Kansas has no regulations for the dry-cleaning industry other than the usual building codes. But more important, the state is more similar to Oklahoma than any other state when comparisons are made between those variables with which dry cleaning sales can be associated. The state is geographically close to Oklahoma. Many unmeasurable factors such as dust, humidity, social habits, and the like are similar in such geographically close locations. The state of Kansas is more similar to Oklahoma than any other state when judged according to the percentage of the population within the same state economic areas.⁴⁹ In brief, it is simply assumed that the average

⁴⁶ Output reductions reduce total costs and since in equilibrium there are no profits, total cost equals total revenue. Therefore, the revenue of the representative firm will be less.

⁴⁷ In some towns monopolies may exist but they seem unimportant for purposes of analysis.

⁴⁸ Stigler, *A Theory of Oligopoly*, 72 *J. Pol. Econ.* 44 (1964); Nutter, *Duopoly, Oligopoly, and Emerging Competition*, 30 *So. Econ. J.* 342 (April, 1964).

⁴⁹ See U.S. Dep't of Commerce, *State Economic Areas*, 1 (1951) and Bogue and Beale, *Economic Areas of the United States* (1961).

person in Oklahoma has the same demand for dry cleaning as does the average person in Kansas, and that cost conditions are similar.

Several substitutes for dry cleaning exist. One is home dry cleaning. The fact that several commercial spot removers can be purchased suggests that a substantial amount of spot removing may be done at home that might otherwise have been sent to professional dry cleaning establishments. Along with several good spot removers, other substitutes gained substantial popularity in late 1955. These were the coin-operated dry cleaning machines, wash-and-wear clothes, wrinkle resistant and spot repellent materials, the increased popularity of dark colors and casual dress, and the increased use of air conditioning in buildings and in cars. But until late 1955, there were no real substitutes for dry cleaning a complete garment, so it would seem probable that the demand for dry cleaning services was relatively inelastic during the first years examined and then increased in elasticity with the introduction of substitutes.

The demand for dry cleaning depends not only on the availability of substitutes and their prices but also on the number, income, and characteristics of the people demanding dry cleaning services. It seems clear that there is a high correlation between per capita dry cleaning sales and per cent urban, density, and per cent employed in white collar occupations. The absolute magnitudes and the changes in these magnitudes are very similar for Oklahoma and Kansas.⁵⁰

One would expect, from the previous analysis, that one effect of the Oklahoma regulations would be to cause additional resources to be attracted to the dry cleaning industry. The purpose of this section is to test this hypothesis. Data are not available for a direct measure of resources employed, such as land, labor, capital, etc., so indirect indicators must be used. These indicators are the number of establishments offering dry cleaning services, retail dry cleaning receipts, and employees and proprietors engaged in providing dry cleaning services.

The number of establishments offering dry cleaning services is the total of dry cleaning plants, press shops, and combinations.⁵¹ The number of

⁵⁰ For a more detailed account of the comparison, see Plott, *The Effects of Occupations Self-Regulation of Industrial Organization: A Case Study of the Oklahoma Dry Cleaners* (unpublished master's thesis, Oklahoma State University, Stillwater, 1964).

⁵¹ Dry cleaning plants are essentially those establishments that derive fifty per cent (50%) of their income or more from dry cleaning and drying apparel and household fabrics. They are those dry cleaning shops that have facilities to wash the garments—their own cleaning plants or units. Press shops are establishments that do only spotting or pressing. They do not do their own cleaning but have their cleaning done at wholesale rates by the dry cleaning plants. Combinations are laundries with dry cleaning equipment. These establishments are primarily engaged in the laundry business but do own dry cleaning equipment. For detailed definitions of the classifications used by the Census,

establishments does not necessarily reflect the total amount of resources employed. One large establishment may employ just as many resources as several small establishments. Moreover, if there are monopolistic elements, retail receipts would not be a reliable measure. Data for employees and proprietors are available for dry cleaning plants and press shops, but are not available for laundry plants with dry cleaning equipment. Furthermore, labor data would mean little without knowledge of other resources with which labor is combined. By observing all three indices—number of establishments, retail sales, and employment—some indication of the flow of resources into the dry cleaning industry can, however, be gained.

The total number of establishments offering dry cleaning services in the United States, Kansas and Oklahoma in years 1939, 1948, 1954 and 1958 are presented in Table II. Differences in the total number of establishments, however, are greatly influenced by population. The greater increases in the number of establishments observed in Oklahoma could simply be because the number of people in Oklahoma has increased more than the number of people in Kansas. Therefore, the data should be adjusted for population changes. The number of establishments per person indicates the quantity of resources employed in serving the average person.

TABLE II^a
TOTAL NUMBER OF ESTABLISHMENTS OFFERING DRY CLEANING SERVICES,
UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	United States		Kansas		Oklahoma	
	Number	Percentage Change From Previous Census	Number	Percentage Change From Previous Census	Number	Percentage Change From Previous Census
1939 ^b	64,119		643		807	
1948	72,411	12.93	775	20.53	902	11.77
1954	66,922	-7.58	784	1.16	982	8.87
1958	70,834	5.85	757	-3.44	1,013	3.16

Source: U.S. Department of Commerce, *Census of Business*.

^a Total establishments offering dry cleaning include dry cleaning plants, press shops and laundry plants with dry cleaning equipment. The computation of laundry plants with dry cleaning equipment was made under the assumption that the partial returns available for plants with a payroll were characteristic of the population. Laundry plants with no payroll were assumed to provide no dry cleaning services.

^b Data for 1939 do not include laundry plants with dry cleaning equipment because the data were not gathered by the Census.

see: Bureau of the Census, U.S. Dep't of Commerce, *Census of Business* 1954, 5 (1954). There seems to be no reason to believe that those establishments classified by the Census as dry cleaners are any different from those establishments judged by the Oklahoma Dry Cleaners' Board to be dry cleaners.

Table III shows the number of establishments serving each 1,000 persons. The absolute increase and percentage increase in establishments per person has been greater for Oklahoma each period than for either Kansas or the United States. For the entire period, from 1939 to 1958, establishments per person increased 28.95 per cent in Oklahoma, 0.298 per cent for Kansas, and —16.93 per cent for the United States. This supports the hypothesis that higher prices in Oklahoma have caused a greater amount of resources to be employed in the Oklahoma dry cleaning industry. This view is further supported by the next indicator, retail dry cleaning receipts.

Total dry cleaning receipts are shown in Table IV. For Oklahoma, increases in total receipts have been the smallest for each period and in 1958 there was an absolute decline. The differences between the areas, however, could be due to population and income differences. The data are adjusted, in turn, for both of these variables.

Changes in expenditures⁵² by the average person are presented in Table V. The increase in per capita expenditures for each period from 1939 to 1954 tended to be greater for Oklahoma in both absolute and percentage terms than either of the two other areas. The opposite is true, however, for the period from 1954 to 1958. It is during this later period that the substitutes, discussed above, were introduced. The results were decreased expenditures per capita in both Oklahoma and Kansas with the greatest decrease occurring in Oklahoma where the prices were higher. This result is more clearly seen after the data are adjusted for income differences.

The data adjusted for income differences are presented in Table VI. The percentage of income the average person spends on dry cleaning reveals the relationship between expenditures on dry cleaning and spending on other things. In the period from 1939 to 1954, the average Oklahoman increased the percentage of income spent on dry cleaning more in absolute and percentage terms each year than did the average person in Kansas or the United States, with the exception of the United States' percentage in 1948. However, the reverse is true for the period from 1954 to 1958 where the figures move similarly to the figures for per capita expenditures. Large decreases occurred for all three areas but the decrease for Oklahoma of 19.81 per cent was much greater than the 12.92 per cent for the United States or the 17.64 per cent for Kansas.

Since people spend a relatively small proportion of their income on dry cleaning and there were relatively few substitutes before 1955, the demand for dry cleaning was probably relatively inelastic. The prices were set higher in Oklahoma, thus, people spent more of their income on dry cleaning. The introduction of substitutes caused the demand both to decrease in magnitude

⁵² Revenue and expenditures are the same assuming that persons trade only in their own states. This assumption seems reasonable.

TABLE III
NUMBER OF ESTABLISHMENTS OFFERING DRY CLEANING SERVICES PER 1,000 PERSONS, UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	United States			Kansas			Oklahoma		
	Establishment Per 1,000 Persons	Percentage Increase Over Previous Census	Percentage Increase Over Previous Census	Establishment Per 1,000 Persons	Percentage Increase Over Previous Census	Percentage Increase Over Previous Census	Establishment Per 1,000 Persons	Percentage Increase Over Previous Census	Percentage Increase Over Previous Census
1939	.4899067			.3525219			.3459065		
1948	.4956500	1.17		.4096194	16.20		.4317855	24.83	
1954	.4151720	-16.24		.3875432	-5.39		.4492223	4.04	
1958	.4069586	-1.98		.3535730	-8.77		.4460590	-.70	
Percentage Increase 1939-58		-16.93			.298			28.95	

Source: Table II and U.S. Department of Commerce, Office of Business Economics, Statistical Abstract of the United States and, Personal Income by States since 1929.

TABLE IV
TOTAL RETAIL DRY CLEANING RECEIPTS,^a UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	United States			Kansas			Oklahoma		
	Receipts \$ Thousands	Percentage Change From Previous Census		Receipts \$ Thousands	Percentage Change From Previous Census		Receipts \$ Thousands	Percentage Change From Previous Census	
1939	330,914			3,434			4,563		
1948 ^b	1,126,375	240.38		11,572	236.08		14,366	214.84	
1954	1,504,561	33.38		15,616	34.95		19,349	34.69	
1958	1,549,597	9.64		15,972	2.28		19,089	-1.34	

Source: U.S. Department of Commerce, *Census of Business*.

^a These data include retail sales of dry cleaning for all establishments: dry cleaning plants, laundry plants with and without dry cleaning equipment, and press shops. Data for both laundry and dry cleaning plants were computed under the assumption that the partial returns from plants with a payroll were characteristic of all plants with a payroll. Dry cleaning plants without a payroll were considered as making no dry cleaning sales.

^b Data do not include sales made by laundry plants without dry cleaning equipment or the category listed as "other." The reason is because this datum, not included, was not available for Oklahoma due to the disclosure rule.

TABLE V
PER CAPITA DRY CLEANING EXPENDITURES, UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	United States		Kansas		Oklahoma	
	Expenditure Per Capita	Percentage Change Over Previous Census	Expenditure Per Capita	Percentage Change Over Previous Census	Expenditure Per Capita	Percentage Change Over Previous Census
1939	\$2.528		\$1.883		\$1.956	
1948	7.710	204.98	6.116	224.80	6.877	251.58
1954	9.334	21.06	7.719	26.21	8.851	28.70
1958	9.477	1.53	7.460	-3.36	8.406	-5.03

Source: Computed from Table IV and U.S. Department of Commerce, Statistical Abstract of the United States and Personal Income by States since 1929.

TABLE VI
PERCENTAGE OF PER CAPITA INCOME SPENT ON DRY CLEANING,
UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	United States		Kansas		Oklahoma	
	Percentage of Income Spent on Dry Cleaning	Percentage Increase Over Previous Census	Percentage of Income Spent on Dry Cleaning	Percentage Increase Over Previous Census	Percentage of Income Spent on Dry Cleaning	Percentage Increase Over Previous Census
1939	.4547		.4955		.5670	
1948	.5430	19.42	.4793	-3.27	.6091	7.43
1954	.5273	-2.89	.4565	-4.76	.6038	-.87
1958	.4592	-12.92	.3760	-17.64	.4842	-19.81

Source: Computed from Table V and U.S. Department of Commerce, Personal Income by States since 1929 and Survey of Current Business, August, 1961.

and to increase in elasticity. Since prices were set higher in Oklahoma, the result was a greater decrease in expenditures.

The third measure of the quantity of resources drawn to the dry cleaning industry is provided by the number of employees and proprietors.⁵³ The total figures are presented in Table VII. Of more importance, however, is the same data after adjustments are made for population differences. The number of employees and proprietors serving the average person is shown in Table VIII. With one exception, the number of employees and proprietors

⁵³ These figures do not take into account the number of employees of laundry establishments that do dry cleaning work. Also, employees of dry cleaning plants and press shops that do laundry work are included. The figures are actually an attempt to estimate hours and intensity of labor performed. Even with these imperfections, however, the data do give some indication of the direction and magnitude of movements.

TABLE VII
TOTAL EMPLOYEES AND PROPRIETORS WORKING IN DRY CLEANING PLANTS AND PRESS SHOPS,
UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	United States		Kansas		Oklahoma	
	Number	Percentage Change Over Previous Census	Number	Percentage Change Over Previous Census	Number	Percentage Change Over Previous Census
1939	176,715		1727		2441	
1948	315,357	78.45	3239	87.55	4160	70.42
1954	314,059	— .41	3409	5.25	4263	2.48
1958	318,380	1.38	3212	— 5.78	4031	— 5.44

Source: U.S. Department of Commerce, *Census of Business*.

TABLE VIII
EMPLOYEES AND PROPRIETORS PER 1,000 PERSONS, UNITED STATES,
KANSAS, OKLAHOMA, 1939-1958

Year	United States		Kansas		Oklahoma	
	Employees and Pro- priators Per 1,000 Persons	Percentage Increase Over Previous Census	Employees and Pro- priators Per 1,000 Persons	Percentage Increase Over Previous Census	Employees and Pro- priators Per 1,000 Persons	Percentage Increase Over Previous Census
1939	1.350206		.946820		1.046292	
1948	2.158604	59.87	1.711945	80.81	1.991383	90.33
1954	1.948365	— 9.74	1.685121	— 1.57	1.950137	— 2.07
1958	1.829170	— 6.12	1.500233	— 10.97	1.774988	— 8.98
Percent- age Increase 1939- 1958		35.47		58.45		69.65

Source: Compiled from Table VII and U.S. Department of Commerce, Statistical Abstract of the United States, and Personal Income by States since 1929.

serving the average person has increased more or decreased less each year for the average Oklahoman than for the average person in either Kansas or the United States. The exception is for Kansas in the period 1948 to 1954.

Generally, the data are in accordance with what was predicted by the economic analysis. In the period up to 1954, the enforced minimum price in Oklahoma (introduced in 1945) caused a larger number of plants per capita, more expenditures per capita, a greater proportion of per capita personal income to be spent for dry cleaning, and more employees and pro-

prietors per capita. The introduction of substitutes in the 1954 to 1958 period caused a general fall in demand. As was expected, the decrease in per capita expenditures and per cent of income spent on dry cleaning was greater in Oklahoma due to the higher prices. The failure of Oklahoma to experience a greater fall in establishments per capita and employees and proprietors per capita is also not surprising. The general fall in demand would have eliminated plants in both the competitive and oligopolistic sectors of Kansas. But, in Oklahoma, where the minimum price would aid in the establishment and maintenance of pure profits in oligopolistic sectors, the fall in demand would serve only to reduce profits and not the number of establishments. Whereas Kansas lost establishments in both sectors, Oklahoma only lost establishments in the competitive sector.

VI. A TEST OF THE ANALYSIS: ORGANIZATION

The analysis presented earlier contains implications about (1) the organization of existing establishments and (2) the services offered by these establishments. First, the analysis implies that there are advantages for the firm that owns certain types of equipment. Wholesale prices as well as retail prices are subject to the minimum price laws. In addition, quality is a major method of nonprice competition. For these reasons, it is in the interest of dry cleaners to own laundry facilities in order to provide the customer with additional convenience. Secondly, the analysis implies that the firms will be smaller in size.

As has been explained, the types of establishments offering dry cleaning are dry cleaning plants (establishments with dry cleaning equipment), press shops (establishments with no dry cleaning equipment), and combinations (laundries with dry cleaning equipment). To be examined are the number, receipts, and employment of each type. The object of the examination is to see which type has been favored by the regulations.

The number of each type of establishment is shown in Table IX. The Census reports did not include data for laundry plants with dry cleaning equipment in 1939 and did not include data for dry cleaning plants with laundry equipment for either 1939 or 1948. The number of dry cleaning plants in Oklahoma increased more than the number of plants in Kansas, and the number of press shops decreased more in Oklahoma than in Kansas. Furthermore, the proportion of total establishments offering dry cleaning services which have dry cleaning equipment has increased much more for Oklahoma than Kansas. The larger changes in Oklahoma have been the result of additional establishments tending to possess dry cleaning equipment and probably some press shops adding equipment. This result is what was expected.

An unexpected result is that there has been less tendency for additional establishments offering dry cleaning services in Oklahoma to own laundry facilities. The number of establishments with both laundry and dry cleaning equipment, designated in Table IX as "Dry Cleaning Plants with Laundry Equipment Plus Combination," has increased more in Oklahoma. But, as a percentage of total establishments offering dry cleaning services, the increase was less for Oklahoma. This, however, does not mean that in Oklahoma, dry cleaning resources have not had a greater tendency to be used with laundry resources. This will be shown when receipts are considered.

The calculation of receipts was made so as to indicate the value added to the total retail sales by dry cleaning services. The purpose is still to find which type of establishment has provided the most favorable environment for resources offering dry cleaning services. To compute value added from the data source, wholesale sales from all sources have been deducted from sales made by press shops. The sales by both plants and combinations include all dry cleaning sales made by them, both wholesale and retail.

The figures are shown in Table X. Again we find that there has been a greater decrease, for Oklahoma, in the importance of press shops, and a greater increase in the importance of dry cleaning plants. Although there has been a tendency for dry cleaning resources to be added to resources employed in press shops in both areas, the incentive has been much greater in Oklahoma. This simply supports the evidence above.

Even though, as shown above, there has not been additional incentive for additional plants in Oklahoma to provide both dry cleaning and laundry facilities, there has been a greater tendency for additional resources providing dry cleaning to be offered with resources providing laundry services. This is true to the extent that sales represent the value of resources. The dry cleaning receipts of the category "Combinations," when taken as a percentage of all receipts, have increased more for Oklahoma than either Kansas or the United States. This result was predicted.

A third measure of the organization of resources employed in the various establishment types is the number of employees and proprietors engaged in the providing of dry cleaning services. The number of employees used to provide dry cleaning services in laundry plants with dry cleaning equipment is not available. Also not available is the number of employees providing dry cleaning services only in dry cleaning plants with laundry equipment. This omission is especially important here since there seems to have been a greater tendency in Oklahoma for plants to add laundry services which would bias the data for Oklahoma in favor of dry cleaning plants as opposed to press shops.

Only with the above qualifications made explicit is an interpretation of Table XI justified. The data indicate that there has been a marked shift in

TABLE IX
 DRY CLEANING PLANTS, PRESS SHOPS AND COMBINATIONS: NUMBER, AND AS A PERCENTAGE OF TOTAL ESTABLISHMENTS OFFERING
 DRY CLEANING SERVICES, UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	Dry Cleaning Plants		Press Shops		Combinations		Dry Cleaning Plants With Laundry Equipments ^a Plus Combinations	
	Number	Percentage of Total Establishments	Number	Percentage of Total Establishments	Number	Percentage of Total Establishments	Number	Percentage of Total Establishments
UNITED STATES								
1939	11,604	18.10	52,515	81.90	n.a.	n.a.	n.a.	
1948	24,017	33.17	45,554	62.91	2,840	3.92	n.a.	
1954	27,423	40.98	36,726	54.88	2,773	4.14	5,078	7.59
1958	31,805	44.90	35,961	50.77	2,068	4.33	8,801	12.42
KANSAS								
1939	342	53.19	301	46.81	n.a.	n.a.	n.a.	
1948	492	63.48	231	29.81	52	6.71	n.a.	
1954	495	63.14	235	29.97	54	6.89	81	10.33
1958	515	68.03	191	25.23	51	6.74	109	14.40
OKLAHOMA								
1939	286	35.44	521	64.56	n.a.	n.a.	n.a.	
1948	613	67.96	226	25.05	63	6.98	n.a.	
1954	627	63.85	294	29.93	61	6.21	98	9.98
1958	719	70.98	236	23.30	58	5.73	131	12.93

Source: U.S. Department of Commerce, *Census of Business*.

^a Dry cleaning plants with laundry equipment are included in Column #1, Dry Cleaning Plants.

n.a. Not available.

TABLE X
 DRY CLEANING PLANTS, PRESS SHOPS, COMBINATIONS, AND COMBINATIONS PLUS DRY CLEANING PLANTS WITH LAUNDRY
 EQUIPMENT: RECEIPTS AND RECEIPTS AS A PERCENTAGE OF TOTAL RETAIL DRY CLEANING SALES, UNITED STATES,
 KANSAS, OKLAHOMA, 1939-1958^a

Year	Total Dry Cleaning Receipts of Dry Cleaning Plants		Sales of Press Shops Minus All Wholesale Receipts		Dry Cleaning Receipts of Combinations		Combinations Plus Plants With Laundry Equipment	
	\$ Thousands	Percentage of Retail Dry Clean- ing Sales	\$ Thousands	Percentage of Retail Dry Clean- ing Sales	\$ Thousands	Percentage of Retail Dry Clean- ing Sales	\$ Thousands	Percentage of Retail Dry Clean- ing Sales
UNITED STATES								
1939	174,177	52.64	114,928	34.73	41,809 ^b	12.63	n.a.	n.a.
1948	772,551	68.59	230,532	20.47	122,782	10.90	n.a.	n.a.
1954	996,003	66.20	274,487	18.24	195,151	12.97	365,781	29.31
1958	1,133,848	68.74	258,261	15.66	227,545	13.80	484,975	42.77
KANSAS								
1939	2,112	61.50	778	22.65	544 ^b	15.84	n.a.	n.a.
1948	8,678	74.99	1,257	10.86	1,637	14.15	n.a.	n.a.
1954	11,391	72.94	1,636	10.48	2,468	15.80	3,694	23.66
1958	12,159	76.11	1,342	8.40	2,223	13.92	4,694	29.39
OKLAHOMA								
1939	2,347	51.44	1,622	35.55	594 ^b	13.02	n.a.	n.a.
1948	10,836	75.43	2,022	14.07	1,508	10.50	n.a.	n.a.
1954	14,353	74.18	2,609	13.48	2,134	11.03	3,368	17.41
1958	14,026	73.48	1,905	9.98	2,905	15.22	5,911	30.97

Source: U.S. Department of Commerce, *Census of Business*.

^a Sums of percentages do not equal 100 percent because of rounding errors in collecting the data from the source. Also, data for laundry plants without dry cleaning equipment are included in total retail sales.

^b All dry cleaning sales by all laundries. No distinction was made concerning the ownership of dry cleaning facilities.

n.a. Not available.

importance from press shops to dry cleaning plants in all three areas considered. The largest shift occurred in Oklahoma.

TABLE XI
NUMBER OF EMPLOYEES AND PROPRIETORS OF DRY CLEANING PLANTS AND PRESS SHOPS,
UNITED STATES, KANSAS, OKLAHOMA, 1939-1958

Year	Plants		Press Shops	
	Number	Percentage of Total	Number	Percentage of Total
UNITED STATES				
1939	94,655	53.56	82,060	46.44
1948	230,468	73.08	84,889	26.92
1954	246,254	78.41	67,805	21.59
1958	256,436	80.54	61,944	19.46
KANSAS				
1939	1,201	69.54	526	30.46
1948	2,735	84.43	504	15.56
1954	2,995	87.85	414	12.14
1958	2,859	89.00	353	10.99
OKLAHOMA				
1939	1,392	57.02	1,049	42.97
1948	3,485	83.77	675	16.22
1954	3,684	86.41	579	13.58
1958	3,613	89.63	418	10.36

Source: U.S. Department of Commerce, *Census of Business*.

No data are available on the size structure of press shops or laundry plants with dry cleaning equipment. Size data for dry cleaning plants are presented by the Bureau of the Census in several different forms. However, only the number of dry cleaning plants ranked according to receipts size and the number of dry cleaning plants ranked according to employees size are examined here. The reasons for these omissions are, first, that only fragmentary data on receipts and payrolls are available due to the disclosure rule and, second, that the other data that are available merely provide further evidence supporting the conclusions made here.

Plants in Oklahoma have had a tendency to decrease in receipt size relative to plants in Kansas and the United States. This point is summarized by Table XII which shows the percentage of plants in the lowest two and lowest three categories distinguished by the Bureau of the Census. The percentage Oklahoma plants in the lowest three categories was below Kansas in 1939, slightly below Kansas in 1948, above Kansas in 1954 and above by a greater percentage in 1958.

TABLE XII
PERCENTAGE OF DRY CLEANING PLANTS IN THE LOWEST TWO, AND IN THE LOWEST THREE
CATEGORIES OF RECEIPT SIZE, UNITED STATES, KANSAS, OKLAHOMA, 1939-1958^a

Year	The Lowest Two Categories			The Lowest Three Categories		
	United States	Kansas	Oklahoma	United States	Kansas	Oklahoma
1939	37.79	57.61	52.45	61.72	83.34	74.13
1948	48.66	67.62	65.79	81.73	94.29	93.83
1954	41.15	59.99	59.64	79.22	88.62	91.27
1958	41.31	59.63	71.24	78.68	88.02	94.97

Source: U.S. Department of Commerce, *Census of Business*.

^a In 1939, the two lowest categories represented plants with sales of \$4,999 or less and the three lowest categories represented plants with sales of \$9,999 or less. In 1954 and 1958, the two lowest categories represented plants with sales of \$19,999 or less and the three lowest categories represented plants with sales of \$49,999 or less. The data for 1948 have been recomputed to correspond with the categories used in 1954 and 1958.

The second indicator of size trends is the number of dry cleaning plants ranked according to employment size. The data summarized in Table XIII support the conclusions just stated. There has been a tendency for the plants in Oklahoma to decrease in size relative to the plants in Kansas. The proportion of Kansas plants that employed from zero to three workers increased from 54 per cent to 61 per cent from 1948 to 1958. The proportion in Oklahoma increased from 54 per cent to 70 per cent.

TABLE XIII
PERCENTAGE OF DRY CLEANING PLANTS EMPLOYING FROM 0 TO 3 AND FROM 0 TO 7
EMPLOYEES, UNITED STATES, KANSAS, OKLAHOMA, 1948-1958

Year	0 to 3 Employees			0 to 7 Employees		
	United States	Kansas	Oklahoma	United States	Kansas	Oklahoma
1948	39.77	54.27	54.00	69.97	84.96	86.62
1954	42.79	53.68	54.20	72.64	83.36	86.00
1958	49.96	61.26	70.48	76.38	84.18	89.43

Source: U.S. Department of Commerce, *Census of Business*.

Both indicators reveal that the greatest relative decrease in the size of Oklahoma plants occurred in the period from 1954 to 1958. This again supports the hypothesis that in Oklahoma some plants were making pure profits. The fall in demand during this period simply had the effect of reducing these profits and the plant size rather than forcing the plants out of business.

VII. A TEST OF THE ANALYSIS: SERVICES

The presence of a minimum price should foster nonprice competition. In fact, one of the main purposes of the legislation was to promote competition on the basis of quality rather than price. Competition on the basis of quality is usually thought to relate to: processes used; equipment used; grade of work done; advertising, and similar factors. Unfortunately data on all these aspects of service are not available. However, some data pertaining to some of the additional services offered by dry cleaners are provided by the Bureau of the Census.

The Census reports receipts of dry cleaning plants by receipt source. Several sources are listed but because of the small amounts reported for most categories, comparisons are rendered rather unreliable. Two of the categories, however, seem worthy of examination. These are delivery service and rug cleaning. Neither of these services can be offered at a "lowered" price or as a tie-in sale, but it is to the advantage of the dry cleaner to offer these services due to the increased customer convenience.

Retail receipts from cleaning and dyeing delivered to the home are presented in Table XIV. The data are not available for 1939. The proportion of total dry cleaning plant sales delivered to the home has decreased consistently in Kansas and the United States. The consistent decrease did not occur in Oklahoma and when the percentage did decrease it was less than the decrease in Kansas. The implication is that the dry cleaning plants in Oklahoma have tended to do more delivery work than plants in Kansas or in the United States.

The second indicator of additional services provided by dry cleaning plants is the amount of rug cleaning done. The ratio of rug receipts of dry

TABLE XIV
RETAIL RECEIPTS FROM CLEANING AND DYEING DELIVERED TO THE HOME,
UNITED STATES, KANSAS, OKLAHOMA, 1948-1958^a

Year	United States		Kansas		Oklahoma	
	\$ Thousands	Percentage of Total Plant Dry Cleaning Sales	\$ Thousands	Percentage of Total Plant Dry Cleaning Sales	\$ Thousands	Percentage of Total Plant Dry Cleaning Sales
1948	289,492	37.47	2,973	34.26	2,948	27.21
1954	299,675	30.09	2,672	23.46	2,751	19.17
1958	311,127	27.45	2,409	19.81	3,729	26.59

Source: U.S. Department of Commerce, *Census of Business*.

^a Plants that reported this source of receipts were considered to be the total number of plants that delivered to the home. This source of error is reduced if large plants tend to be those that deliver and if they are also those that have sufficient records to report sources of receipts.

cleaning plants to dry cleaning receipts indicates the relative importance of this additional service in relation to dry cleaning. The data are presented in Table XV.

TABLE XV
DRY CLEANING PLANT RECEIPTS FROM RUG CLEANING: IN TOTAL, AND AS A PERCENTAGE
OF DRY CLEANING PLANT DRY CLEANING SALES, UNITED STATES, KANSAS,
OKLAHOMA, 1939-1958

Year	United States		Kansas		Oklahoma	
	\$ Thousands	Percentage of Dry Cleaning Sales	\$ Thousands	Percentage of Dry Cleaning Sales	\$ Thousands	Percentage of Dry Cleaning Sales
1939	2,011	1.155	10	.462	6	.256
1948	4,657	.603	20	.224	3	.028
1954	4,701	.472	67	.543	21	.146
1958	5,540	.489	53	.398	80	.570

Source: U.S. Department of Commerce, *Census of Business*.

No consistent trend shows itself throughout the complete period. The ratio declined for all three areas in 1948 and increased for all three areas in 1954. The period from 1948 to 1954 is the only one in which the ratio for Oklahoma did not have a greater tendency to increase when compared with the ratio for Kansas. Oklahoma is the only area of the three for which the ratio increased consistently from 1948 to 1958, and it is the only area of the three for which the ratio was larger in 1958 than 1939. This does support the view that Oklahoma dry cleaning plants have had a greater tendency to offer the additional service of rug cleaning than the plants in the other two areas.

VIII. CONCLUSIONS

The Oklahoma dry cleaning industry serves as a particularly interesting example of the effects of the policy of industrial self-regulation for two reasons. The first reason is that the policy is very similar to those so often found among the states in connection with many other occupations as well as dry cleaning. The second reason is that most of those things an economist would predict as likely to occur actually happened.

The Oklahoma industry is regulated by the decisions of a State Dry Cleaners' Board. The Board consists of three members of the industry who have the power to set the requirements for entry into the business, set the standards of practice and approve minimum price agreements. The Board and its activities have a sufficiently solid legal foundation to allow the members to make decisions along cartel lines. It is clear that only an act of

the legislature can remove the power of the Board and the likelihood of the legislature doing this is very small. Furthermore, the decisions of the Board, upon appeal to the district court, have never been reversed.

Although the Board has sufficient power to effectively block entry into the occupation they have not done so. Regulations for entry and operation do not seem different from those that would have been in effect without enforcement or would have been imposed by health and fire codes. The Board has been active in enforcing minimum price laws. The prices set are sufficiently detailed, are policed, and the cost of noncompliance is so great that the laws seem to have been effective. Prices are taken to be not only money prices but also any type of "effective" price. Attempts to lower prices below the legal minimum price by means of tie-in sales have been eliminated.

The results of this policy have been: higher prices; more resources drawn into the industry; monopolistic profits in oligopolistic markets; more establishments owning dry cleaning equipment; resources providing dry cleaning services are organized with resources providing laundry services; smaller plants; and, nonprice competition.